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Let's Dispel The Green Eyeshade Myth!

Why Are We Ignoring Accounting History?

By Linda M. Dykes, CPA

and Karen H. Thornton, CPA

Introduction

The discipline of accounting possesses a rich heritage. This fact is not widely known by either the profession or the general public. Instead, accounting is viewed from the limited perspective of technical issues. A knowledge of its historical and philosophical development provides an additional dimension to accounting both as a theoretical field of study and as a profession. This is usually unavailable to the majority of accountants.

An awareness of the accounting legacy may instill in the profession a degree of self-esteem which currently seems to be absent. Furthermore, even a brief exposure to a few highlights of accounting should incite a curiosity and desire to know more about its background. The purpose here is to address and consider the study of accounting history and the consequences of such study.

An Image Problem

The proposal to study history in order to enhance the image of accounting is not an innovation. Henry Hatfield's "An Historical Defense of Bookkeeping," published in 1924, is a classic attempt to upgrade the public's perception of the accountant and to dispel the green eyeshade myth. He tried to remove the stigma attached to accounting by showing

that in its origin accounting is respectable and also academic. "Three elements, if not conclusively proving, at least presumptively establish, respectability. These are, first, parentage and lineage; second, the company one keeps; and, third, the services which one renders the community." Hatfield's development of these elements using historical and scholarly citations established an inspirational defense for the credentials of accounting. [Hatfield, 1924]

The need for this upgrading still exists today. Law and medicine enjoy a more prestigious public reputation, perhaps resulting from the celebrated ancient roots of those professions. However, anthropologists have established that the use of accounting has accompanied the growth of civilizations. Accounting theory has provided the machinery and semantics for assessing and managing a culture's welfare.

Accounting as a discipline in its own right existed several thousand years B.C. Activities of the Chaldean Babylonian Empire, which was a highly developed government as early as 4500 B.C., used accounting techniques both for taxation and commerce. This is one example from an accumulation of archeological evidence which shows the importance of accounting to the existence

of a civilization.

Accounting suffers an image problem not only in the public's eyes, but also in the eyes of the profession. The current disagreement over the need for professional schools of accountancy indicates an image problem. Advocates of professional schools of accountancy believe that the schools will enhance the status of the profession. Others question whether the status does, in fact, need to be enhanced.

Surprisingly enough, accounting endures a misinterpretation within the halls of academia. A lack of understanding by other business disciplines about the heritage of accounting fosters the idea of equality between accounting and bookkeeping. Actually, accounting practices preceded the formal cultivation of other business disciplines. From earliest times accounting has been an integral part of management, marketing, and financial activities. A knowledge of accounting history would dispel the bookkeeping image and provide a pattern for the integration of accounting and other business disciplines.

An Education Problem

Accounting students would benefit most from a study of accounting history. Intense concentration of curricula on technicalities causes a "can't-see-the-forest-for-the-trees" effect. For instance, accounting students memorize the mechanics of depreciation, often without understanding the basic underlying theory. An historical illustration provides the student with a balance between the theoretical and technical aspects. For example, an architect in ancient Rome modified the valuation of a wall by applying the concept of depreciation. He proposed that the wall's cost should be reduced in each successive year by one eightieth, based on an estimation of

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an eighty year life. (Hendricksen, 1970, p. 23) This is one of the oldest recorded theories of depreciation.

An exposure to accounting history would provide the novice student with a respect for the subject. Many students select accounting as a field of study for a practical reason: there are usually jobs available for accounting graduates. This practicality submerges the recognition of accounting as a scholarly and dignified endeavor. Historical enlightenment would elevate the professional attitude of emerging practitioners.

More importantly, an interjection of historical information into the usual curricula may benefit the learning process. By discerning similarities in the past and the present and by being cognizant of the historical continuum, the student might appreciate the maturation of accounting into its current state. Justification for many current concepts may be found in historical circumstances.

A Limitation Problem

The limitations of accounting may be recognized through an awareness of its past. These limitations may be viewed from two perspectives — internal and external. Internal limitations reveal the boundaries for the capabilities of accounting. Understanding the purposes of accounting throughout its history provides an insight into just what accounting *can* do. For example, like America's stock market crash in 1929, spectacular English business failures in the early 1700's led to public demand for better accounting verification. The crash of the South Seas Company stock, resulting from speculative trading, in 1720 caused a national financial crisis which was the impetus for the earliest known audit report. [Hasson, 1968, p. 86]

External limitations are restrictions imposed on accounting by its environment. For instance, ig-

norance of the legitimacy of accounting as a profession may account for the lack of privileged communications between accountants and clients under law as in the legal and medical professions.

An Exposure Problem

Most undergraduate and masters level accounting curricula omit any significant mention of accounting history. Study of accounting history is generally thought to be most appropriate at the doctoral level. Perhaps a reason is the volume of detailed knowledge required of accountants entering practice. The intensity of this technical study precludes the allocation of time to historical and philosophical study. Accountants must be equipped to choose from many available alternatives, the most appropriate generally accepted accounting principle for a particular situation. Furthermore, some areas such as leases and earnings per share mandate extensive consideration of details for proper application. Thus there is not only a breadth, but also a depth of learning required.

Currently, practicing professionals suffer from the same lack of exposure to historical development. Professional literature rarely includes any treatment of accounting history. Professionals are so overwhelmed by the pressures of practice and technical developments that they lose sight of the societal implications. Undoubtedly, practitioners would find historical articles a refreshing change.

The December, 1977 cover of *The Journal of Accountancy* showed a portrait of Pacioli. A majority of practicing accountants reading this periodical may not have recognized the portrait or the significance of this fifteenth century monk and scholar. Pacioli, who was an associate of Italian elites like Leonardo da Vinci, considered the methods of double-entry bookkeeping in use at his time important enough to record in a book. His treatise, published in 1494, served as a model for accounting practice for four hundred years. Certainly *The Journal of Accountancy* article had a profound impression on those reading about Pacioli for the first time. The impact of an initial dose of accounting history should increase the readers' desire for additional articles.

Summary and Conclusion

Consideration should be given to the following problems which may be benefited through the study of accounting history.

1. Accounting has an image problem which was recognized as early as the time of Henry Hatfield. The problem pervades three sectors—the public, academia, and the profession itself.
2. Presently, accounting education places emphasis on technical and practical aspects of the discipline. Accounting students are missing exposure to the development of the field.
3. There exist both internal and external accounting limitations which are frequently overlooked or treated improperly.
4. Professional periodicals present a myriad of technical subjects while including little coverage of historical topics.

We believe an exposure to accounting history would assist in minimizing these problems. Primarily, the recognition of accounting as a legitimate profession and the quality of accounting education would be strengthened by an awareness of history. It is our hope that the utilization of these ideas would augment the self-esteem of the profession and thereby ultimately benefit the recipients of accounting services. Ω

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